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A GRALLA PUBLICATION

SEPTEMBER 1985

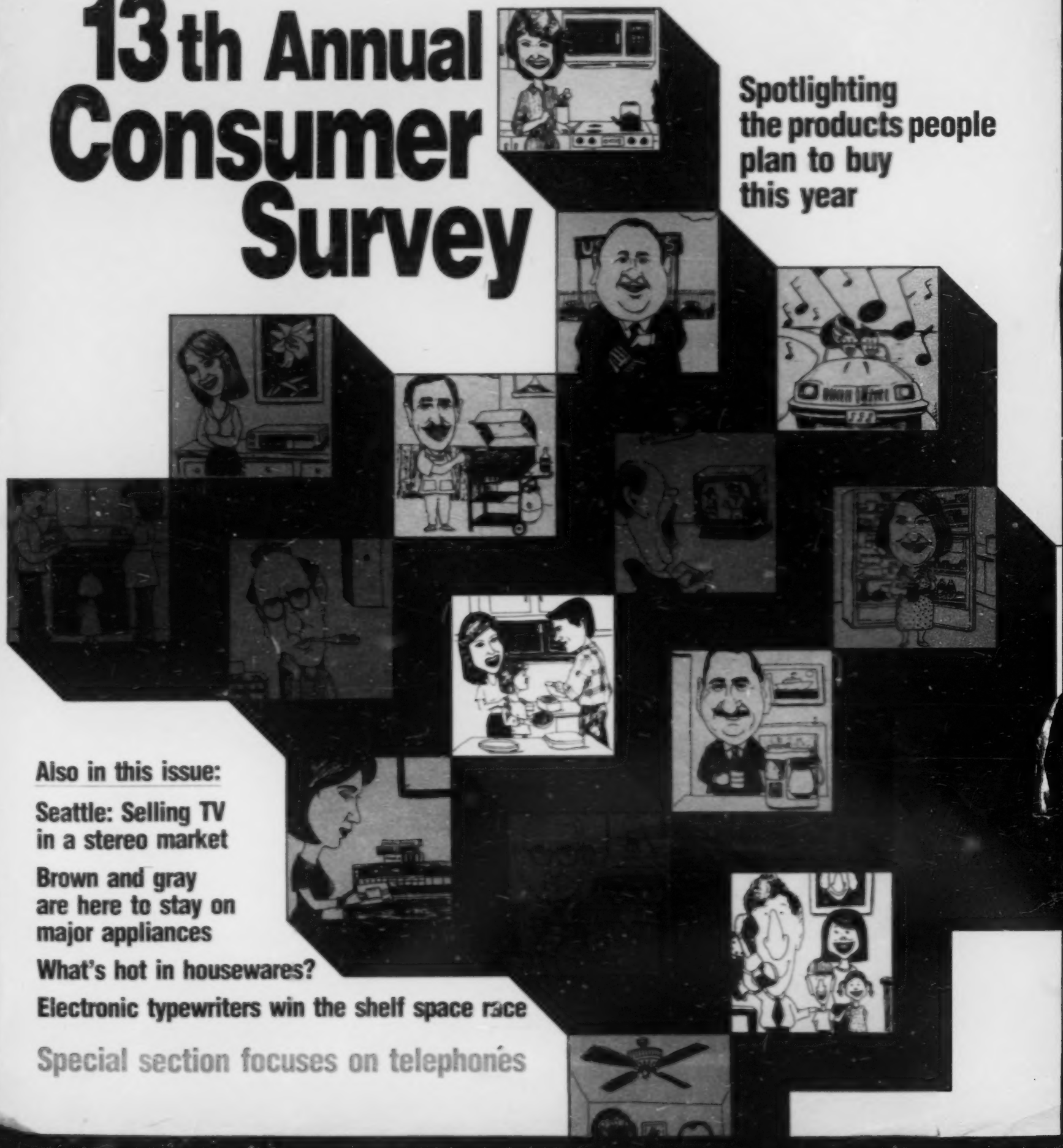
Merchandising

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

13th Annual Consumer Survey

Spotlighting the products people plan to buy this year



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Seattle: Selling TV in a stereo market

Brown and gray are here to stay on major appliances

What's hot in housewares?

Electronic typewriters win the shelf space race

Special section focuses on telephones

A GRALLA PUBLICATION
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MERCHANDISING (USPS 104-810) (ISSN 0362-3920) is published monthly by Gralla Publications, 1515 Broadway, New York, NY 10036. Telephone (212) 869-1300. Circulated free of charge to individuals involved in the retailing of major appliances, housewares and consumer electronics. All other U.S. subscriptions $33.00 per year. Foreign subscriptions $55.00 per year. Single copies $4.00 except for March and September issues $15.00. Second Class postage paid at New York, NY and additional mailing offices.

SUBSCRIPTION INFORMATION AND ADDRESS CHANGES: Write to MERCHANDISING, Circulation Department, Room 930, 1501 Broadway, New York, NY 10036. Change-of-address notices should be sent promptly, provide old as well as new address, include ZIP code number and address label from recent issue. Please allow one month for change of address to become effective.

POSTMASTER: Send address changes to MERCHANDISING, Circulation Department, Room 930, 1501 Broadway, New York, NY 10036. Second Class postage paid at New York, NY, and additional mailing offices.

MERCHANDISING is a member of the Audit Bureau of Circulations.

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Merchandising
FOR OVER 56,200 RETAILERS & WHOLESALERS

September 1985
Our 78th Year
Vol. 10, No. 9

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Consumers point out the products they plan to purchase this year
What does America want? What kind of purchasing power are people exercising in 1985? How can different stores expect to benefit? And how will the various regions of the country do?

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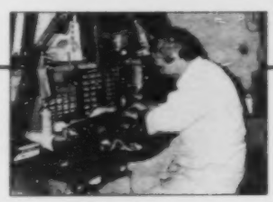

Low prices help electronic typewriters take off
Portable electronic typewriters are winning the race for space on retailers' shelves, especially daisy wheel units, which are showing up to an 80 percent jump in sales this year.

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Stereo TV sales boom in the Seattle market
Stereo TV's are doing mighty fine in Seattle, the only city in the country with four stations broadcasting stereophonic sound. In fact, penetration has already reached seven to 10 percent.

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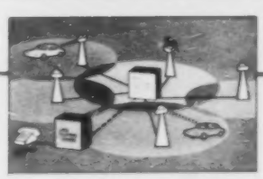

Cellular phones looking like a consumer item
Although it hasn't lived up to original projections, the cellular market continues to grow at a steady enough pace that some suppliers predict the phone will be a consumer item by 1990.

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Hair dryer prices may rise $10 in '87 due to new UL standard
A potentially damaging situation for retailers—a new Underwriters Laboratories standard expected to increase the price of hair dryers—could actually turn out to be beneficial, dealers say.

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Tan, gray appliances gain ground with home remodelers and designers
While the reaction to these colors has been far from explosive, they could be strong basics within a few years.

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Home healthcare products stand out in 1985

By Regina Eisman, assistant editor

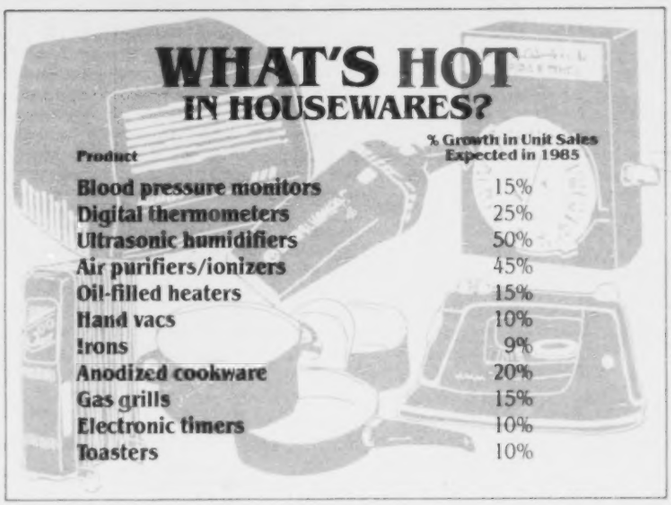
NEW YORK—What are the hot housewares products in 1985? The results of an informal *Merchandising* survey of manufacturers revealed that categories such as home healthcare and home security are continuing to exceed expectations; in particular, digital thermometers, according to one supplier, are "torrid."

Unfortunately, some products, such as fans, clocks and cookware, have remained lukewarm, although some activity is seen in the anodized aluminum cookware category.

In air treatment, ultrasonic models are outpacing console humidifiers. And in heaters, sales of oil-filled units are growing. Gas grills are hot, while hand vacs dominate the rather flat vacuum cleaner industry.

Personal care will enjoy only modest growth this year, with compact dryers and curling irons standing out.

And in kitchen electrics, cordless appliances have replaced space savers as the revitalizing force in the category. Other items cited as doing well were can openers, toasters, food processors and—surprise—popcorn poppers.



Home healthcare is hot

Some of the highest growth figures are seen in the home healthcare area. "Four to five times" greater than last year was how Gerald Baker, president of Lumiscope, described 1985's electronic thermometer sales so far. "It's torrid; it's going wild," he said. This is due in part to falling prices, as well as the advantages the units have over standard thermometers.

"They're virtually unbreakable, they're easy to read and some even have beepers," Baker said. In addition, he predicted, blood pressure monitors will enjoy 20 to 25 percent growth.

Dave Balzer, Sr., president of Healthcheck, was more conservative in his estimates, saying that thermometers would see growth of 15 to 20 percent, and blood pressure monitors about 10 percent growth. Eventually, there will be a "complete switch" from glass to digital thermometers, Balzer said, and the "aging of America," resulting in a proliferation of over-50 adults, will help the blood pressure monitor category.

Agreeing with him was Richard Medina, product manager for Marshall Electronics. "More of the population is older," he said. "Also, people are more aware of their health, measuring their blood pressure before and after exercise; that's the trend." At the same time, more of the population is also younger, Medina pointed out, meaning greater sales of digital thermometers, which are well-suited for babies.

In home security, electronic timers are hot, according to David Bauer, director of marketing services for First Alert. Although reluctant to give figures, Bauer predicted that timers will be big because of their convenience, the selection of new products and the flurry of advertising surrounding them.

Security industry is solid

The security industry as a whole should remain very solid, Bauer said. "There's a base of people buying second and third timers, as well as second and third smoke detectors. They're also replacing existing smoke detectors, because a new battery costs more than a new unit."

Not as optimistic about the area was Paul Taddy, vice president, consumer business, AMF/Paragon. "I think we'll see mild growth, about five to 10 percent," he said of timers. "They have to be made more simple and prices have to come down before they can really grow."

Another item expected to shine is the ultrasonic humidifier, sales of which Bionaire vice president Al Scutte expects to double this year. Reasons cited were "portability, silence and ease of operation."

Douglas's John Falk also sees sales of ultrasonics "up substantially" this year. "They're easier to fill and clean, they're quiet, they're portable and they can be demonstrated without sales help," the vice president of sales and marketing said. "The predatory pricing is also helping."

Scutte also predicted a 45 percent sales increase in air purifier/ionizers, as consumers become more interested in these high-end units.

Gas grills lead pack

Gas grills have been enjoying 15 percent yearly growth for the past half-dozen years, and that trend will continue, said Arthur Seeds, president of the Barbecue Industry Association (BIA). With total grill sales expected to hit five percent over last year (about 14 million units), gas models are clearly taking the lead. "They're still relatively new, and retailers are putting money behind them," he said.

Expected to grow about 15 percent this year are oil-filled heaters, believes Howard Berman, vice president of sales for Embassy, while portable electric units will see 10 percent growth. The reason, he said, is "there are so many imported electric heaters, but the consumer sees oil-filled units as being an American product. Permanent installation is also attractive."

A few categories that have been flat for years are seeing a slight spurt due to innovative products. This is the case with cookware, as anodized aluminum sales climb steadily to about 20 percent over last year. That figure, given by Gary Reifeiss, vice president, marketing for Club Products, is due to the cookware's "professional look and durability, along with the fact that it cooks very well and is non-stick. It's the real growth category."

All-Clad president John Ulam, Jr., said he expects 35 percent growth in his firm's own anodized line. "The consumer is recognizing the quality and the retailer is educating the consumer more."

And Tom Reikowski, vice president of marketing for Meyer Corp., said anodized is the only active cookware category. Otherwise, "there's no growth" in cookware, he said. "The consumer is just not buying the way he once was."

Another soft category, vacuum cleaners, will see only about five percent growth in total, although the hand vac could approach 10 percent, Cliff Wood, marketing services manager for Hoover, said. But, "there may not be as much growth in hand vacs as there was last year because the category has grown so steeply."

Gil Dorsey, vice president of marketing at Eureka, said upright vacs are also doing well, although the entire industry will see only two to three percent growth. Lightweight models, like Eureka's Quick Up and Bissell's Three-Way Vac, are said to be performing well too.

In kitchen electrics, the catch word is cordless. Although the category is still too new to determine any growth figures, suppliers say their items are selling out. "We're in a back-order situation now with our Handymixer, mixer and knife," said Kenneth Homa, vice president of marketing for Black & Decker's U.S. Household Products Group. "Sales have far, far exceeded our expectations."

"Cordless appliances have gotten a lot of brouhaha," Bill Kelso, manager, home products division, Norelco, said. "Things are going crazy, and it's going to be a very big year."

Also achieving excellent results with the cordless can opener is Proctor-Silex, said Judy McBee, senior vice president of marketing.

Can openers in general will be profitable this year, McBee said, and Carl Kiefer, product marketing manager at Oster, said the under-the-cabinet can opener would continue to take a chunk of the market. Other under-the-cabinet electrics should continue to exhibit growth, although not at their former pace. B&D's Homa said he expects "low double-digit growth" in the firm's Spacemaker line.

A wide variety of small appliances were singled out by vendors as being strong sellers. Oster's Kiefer said food processors and blenders were moving. "Nobody wants to go back to the old-fashioned manual method," he said. "Baby boomers grew up with these products on their countertop, and when they get married, they go out and buy them."

Norelco's Kelso said analog timer coffee makers would see a five to 10 percent increase in sales. "It's surprising," he said. "There's still a segment of the population that is uncomfortable with electronic timers."

McBee cited toasters, which are being aided by the addition of units with new features. She predicted a 10 percent or less growth.

Will poppers be popular?

Surprisingly, hot air popcorn poppers are coming back, McBee said, and a growth rate of 15 percent is possible. Why this spurt after lying dormant for so long? "There's additional promotional activity, there's an increase in home entertainment (VCR's, etc.) and there's a health and nutrition consciousness," she explained. "Popcorn made in a hot air popper is an excellent diet food."

Irons will experience "single-digit" growth, no more than 10 percent, McBee predicted. Newer features are "fueling the overall category," and auto shutoff irons could approach 10 percent of the iron market, she added.

Homa of B&D said irons will be in the seven to nine percent growth range. "Irons with automatic shutoff will become an industry benchmark within the next 12 months," he said.

Personal care companies are not seeing the same kind of growth as electrics firms. "At best, it's going to be 10 percent growth" in the entire personal care market, believes Lawrence Cohen, vice president, marketing, Helen of Troy. "It's because of a lack of new items and the proliferation of rebates."

Cohen said, however, that curling irons are starting to edge up due to new hairstyles, and rechargeable units especially have a bright future. "Curling irons and brushes are more attuned to what's happening in hair styles," he said. Products geared towards specific consumer groups should also do well.

Tobie Kranitz, manager, beauty care division, Norelco, said small pro dryers are a growth area because of the compact size. "People like more power in a smaller unit." But the personal care category will see only modest growth, she said.

Clocks, a category that Springfield president William Vogt describes as "flat," may have a bit of activity in the contemporary, under-$25 area. Styles that are currently popular are those with skeleton movements, fewer numerals and special features like a moon phase dial. Combination outdoor clocks/weather instruments are selling, as is brass, "because a brass clock looks like a $40 item, but it's now only $19.95." In general, "the outlook for fall is very promotional," Vogt said.

Probably the worst performance thus far this year in housewares has been turned in by the fan category: Sales are down 30 to 50 percent, according to Lori LaZebnik, marketing manager for Autumnaire. "It's been a terrible fan year," she said candidly, "largely due to the weather. It was a cool summer. Retailers have reported that sales are down considerably."

MERCHANDISING 13TH ANNUAL CONSUMER SURVEY

Consumers point out the products that they plan to purchase this year

What does America want? What kind of purchasing power are people exercising in 1985, particularly as we prepare to enter the all-important fourth quarter? How can different stores expect to benefit? And how will the various regions of the country do?

These were just some of the questions that we at *Merchandising* were asking as we began to work on our 13th Annual Consumer Survey many months ago.

Now, more than 1,200 interviews later, after poring over in excess of 600 pages of computer printouts, we have the answers. And the facts and the figures are presented on the following pages.

The survey is divided into several different sections. On pages 14 through 25, the consumers tell what products they are most interested in purchasing this year in electronics, major appliances and electric housewares. Product by product, they reveal what percent of the total sample is likely to make a purchase.

In this same section, the consumers report on what stores they would be most likely to visit to buy these products.

Then we take a look at the Prime Targets for a number of this year's most important items. What groups contain the most people who would be likely to make such a purchase? You'll find the answer broken down by head of household, size of household, household income, market and other data.

The next section, found on pages 26 through 28, shows how the various U.S. regions stack up, compared with the national average. Are they more or less likely to purchase a particular group of products? And how do their shopping habits compare with the rest of the country?

Finally, on pages 29 and 30, we chart the current penetration levels for the products included in this survey.

More than just numbers

It's important to note that this survey is intended primarily as a means to gauge planned purchases, to compare the products with each other, or one region against another.

There are, of course, any number of outside factors that will sway a customer's plans over the course of the year. A sudden turn in the economy, a week of blisteringly hot summer weather, the unexpected death of a television and even a new low price on something the shopper has had his eye on can all cause a sudden shift.

Many forces work on consumers. Some, the retailer controls. Many, he does not. But they all add up to affect what, when and where a purchase is made.

Looking at this survey as a whole, we see information about how likely the American consumers are to purchase a VCR versus a microwave oven, a blender versus an electric wok or a new refrigerator versus a dishwasher. It illustrates where their priorities, their needs and their desires lie this year, before the externals come into play.

As such, it can serve as an excellent marketing device for retailers, showing not only what people are in the market for, but also what products could be winners—if they were pushed perhaps a little harder.

It's a picture of more than just what's happening, but of what could be, as well. It's not just a report. It's a tool.

How we did it

This year's Consumer Survey was conducted exclusively for *Merchandising* by Home Testing Institute, Port Washington, NY, a market research company. Responding to the survey were households from an unpaid nationwide panel maintained by the firm.

The panel of households is demographically matched to the U.S. population, according to the past five years of data from the Current Population Survey of the U.S. Census Bureau.

Because of this, HTI has assured *Merchandising* that the results of this survey are projectable to the U.S. population overall and to the individual regions, as they are broken out. A statistical breakdown of who responded appears on page 30.

Surveys were mailed to 1,500 households. By the closing date, approximately three weeks later, 1,201 returns had been received (a return rate of 80 percent). Information from these surveys is included in the tabulations which follow.

Special thanks for help in preparing the survey and the statistics go to Robert Leibson, research director, and Selma Book, research manager, both in Gralla Publications' Market Research Department.

—Lee Rath
editor/assoc. pub.

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Characteristics of the Sample 30

Design: BRALOW Ink

TV

Likely to buy...

Black & White TV	3.4%
Color TV	16.7%
Mini TV	1.2%
Projection TV	1.0%

Where they buy...

	Black & White TV	Color TV	Mini TV	Projection TV
Appliance TV Store	21.6%	40.8%	10.5%	31.6%
Catalog Showroom	2.8%	1.8%	5.3%	5.3%
Catalog Store (Sears, etc.)	14.5%	15.4%	18.4%	10.5%
Department Store	13.2%	10.8%	13.2%	10.5%
Discount Store	16.0%	7.2%	23.7%	15.8%
Electronics Specialty Store	1.7%	3.2%	5.3%	5.3%
Furniture Store	2.6%	6.9%	—	—
Received as gift	15.3%	5.0%	18.4%	15.8%
Other	12.3%	8.9%	5.2%	5.2%

Prime Targets...

COLOR TV

Head of household: 50 to 64 years old
Size of household: three or more
Household income: under $20,000
Best market: North Central states

Other:
Of the households planning to purchase a color TV, 86.6% already own one. Out of this group, 61.1% will use the new set as a replacement, 38.9% will use it as an additional TV. There are children under 12 in 23.4% of the households planning a purchase.

Illustrations by David John Pullman

Video

Likely to buy...

Portable VCR	3.9%
Tabletop VCR	9.7%
Video Camera	3.7%

Where they buy...

	Portable VCR	Tabletop VCR	Video Camera
Appliance TV Store	26.8%	25.0%	25.0%
Catalog Showroom	1.8%	4.8%	—
Catalog Store (Sears, etc.)	8.9%	13.6%	7.1%
Department Store	5.4%	11.0%	—
Discount Store	10.7%	8.3%	10.7%
Electronics Specialty Store	10.7%	7.0%	10.7%
Furniture Store	5.4%	3.1%	—
Video Specialty Store (Hardware)	12.5%	11.4%	14.3%
Video Specialty Store (Software)	1.8%	2.2%	3.6%
Received as gift	1.8%	2.6%	7.1%
Other	14.2%	11.0%	21.5%

Prime Targets...

TABLETOP VCR

Head of household: under 30 years old
Size of household: three or more
Household income: under $20,000
Best market: North Central states

Other:
Trading up from their first model, 17.9% of the households planning to purchase a VCR this year already own one. Out of this group, 31.6% will use the new model as a replacement and 68.4% will use it as an additional VCR. There are children under 12 in 26.5% of the households planning a purchase.